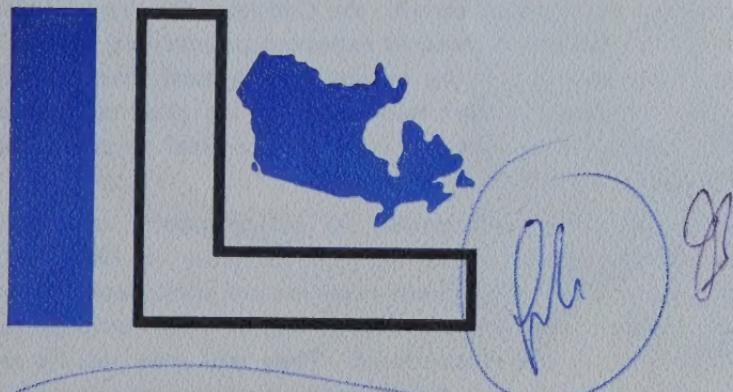


INCOME INSURANCE Companies
ANNUAL REPORT - 1966

AR27



INCOME LIFE INSURANCE
COMPANY OF CANADA

ANNUAL REPORT TO SHAREHOLDERS

The fiscal year 1966 marked the third year of Income Life's operations. After the first two years of rapid growth, this past year has been primarily one of consolidation. However, new premium income from sales developed at a most satisfactory rate, the renewal rate of previous year's premium income also was satisfactory and some selective recruiting of experienced men strengthened our sales organization during the year. It is worth noting that, during the year, the Company attained its objective of \$100 million of life insurance in force.

In 1966, no company in Canada was free of the disciplines resulting from tight money policies and the widespread uneasiness in the financial community. Soon after mid-year, your Directors felt it prudent to assess the growth and operating policies of Income Life in the light of general economic conditions. With that purpose in mind, two leading firms of consultants were called in to review our Actuarial and Accounting practices.

The recommendations of the consultants have been implemented and a considerable number of changes have been made in Head Office and in our Agency Offices to improve efficiency, economy and profitability. The Company's premium income increased during 1966 to a record high of \$1,327,363 before reinsurance costs of \$182,273. The increase was primarily in our Ordinary premiums since new Group premiums were slightly lower than in 1965. Investment income was \$146,884. The major increase in charges to operations was the increase in the amount set aside for policyholders' reserves. This was \$302,164 in 1966 compared to \$137,273 the year before. With expenses held under strict control, the Company showed a smaller deficit than in 1965. This downward trend is expected to continue in 1967 and subsequent years and, with a growing income from a good level of premium renewal, the Company has a sound foundation for its planned development of overall profitability in line with the founders' original forecast, namely the first year or two of the 1970's.

As can be seen, the requirements for policyholders' reserves are substantial and the amount set aside by your Company in 1966 brought total reserves to more than \$500,000. These reserves are calculated on an actuarial basis to meet, together with future premiums and interest earnings, our obligations to policyowners in the years ahead. They will grow rapidly and should represent a source of income to the Company from excess interest earnings.

The Company's assets now total \$2,558,294 and capital and surplus funds stand at approximately \$1,750,000. No requirement for additional financing is currently anticipated. If economic conditions in Canada indicate, however, the desirability of increasing our presently-planned rate of growth, additional financing conceivably could then be required to support an accelerated and expanded growth program.

Across more than a century, energy, enterprise and a long history of sound management have made Canadian life insurance an international success story. There is no reason to suppose that the industry will not adjust successfully to government inroads into the pension field and the life, health and disability insurance fields. The industry will without doubt find new sales avenues to offset those closed or diminished by the Canada Pension Plan, Medicare and, in the future, by the possible effects of the implementation of recommendations of the Carter Commission.

Although Canada's economic outlook for 1967 has not yet taken on a definite form, the life insurance industry is generally expected to maintain its long record of growth. Income Life looks forward to measured participation in this growth. We expect sound progress this year toward the goal of adequate rewards to compensate for the patience of Shareholders during the founding years of the Company.

For graphic illustrations of the solid progress made by your Company since its founding in 1964, please turn to page 5.



Cordially,
Norman G. James
Norman G. James, C.L.U.
President

BALANCE SHEET AS AT DECEMBER 31, 1966

ASSETS

	1966	1965
	\$	\$
Investments		
Bonds and debentures (note 1)	1,119,418	1,110,475
Mortgages	1,317,099	1,423,891
Common Shares (note 2)	<u>49,355</u>	<u>55,906</u>
Accrued Interest	<u>2,485,872</u>	<u>2,590,272</u>
	<u>28,751</u>	<u>29,238</u>
Cash on hand and in banks	—	6,888
Outstanding premiums receivable	26,242	27,537
Other amounts receivable	9,221	21,786
	<u>2,550,086</u>	<u>2,675,721</u>

LIABILITIES, CAPITAL AND SURPLUS

	1966	1965
	\$	\$
Reserve for assurance and annuity contracts	519,935	217,771
Outstanding claims including provision for unreported claims	60,200	44,728
Assurance premiums paid in advance	26,867	11,911
Provision for policyholders' dividends	25,738	32,963
Amounts received with applications not yet allocated	29,102	32,925
Premium taxes payable	11,977	4,045
Other liabilities	<u>112,931</u>	<u>70,222</u>
Bank loan and overdraft	<u>9,292</u>	<u>—</u>
	<u>796,042</u>	<u>414,565</u>
Capital and surplus (notes 3,4, and 5)		
Capital stock — Authorized 2,000,000 shares of \$5.00 par value each		
— Issued 347,360 shares	1,736,800	1,736,800
Surplus	<u>17,244</u>	<u>524,356</u>
	<u>1,754,044</u>	<u>2,261,156</u>
	<u>2,550,086</u>	<u>2,675,721</u>

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1966

1. Bonds

Bonds are carried at cost and the aggregate is \$98,525 (1965 - \$31,437) more than quoted market values.

2. Common Shares

Common shares are carried at cost less a provision for decline in market values and the net amount is \$26,205 (1965 - \$14,236) more than quoted market values.

3. Share Purchase Warrants

At December 31, 1966, there are outstanding 125,000 share purchase warrants which were issued in 1964, and are to be exercised on or before December 31, 1974, at the following prices per share:-

\$12.50 until December 31, 1967
\$15.00 thereafter and until December 31, 1969
\$17.00 thereafter and until December 31, 1972
\$20.00 thereafter and until December 31, 1974

4. Options to Purchase Shares

There are 194,300 shares reserved for options outstanding of which 67,531 are allocated to sales personnel, agents, general agents and other company personnel, 1,700 granted to certain individuals and 125,069 reserved but not yet allocated. All options must be exercised at a price per share of the greater of \$10.00 or 85% of the market value upon certain dates specified by the board of directors. The options may be earned by company personnel in accordance with a formula established by the board of directors and options to purchase 8,150 shares of the above 67,531 have been earned as at December 31, 1966. No options were exercised during 1966.

5. Options to Company Officers

Options to purchase 12,000 shares have been granted to certain officers of the company at a price of \$10.00 per share. They are earned by service with the company and must be exercised by April 30, 1974. Options to purchase 5,000 shares have been earned as at December 31, 1966. No options were exercised during 1966. Options to purchase 8,000 shares of the original granting of 20,000 shares were cancelled during 1966.

**SUMMARY OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1966**

	1966	1965
	\$	\$
INCOME		
Premiums and annuity considerations	1,327,363	1,011,966
Earnings from investments	<u>146,884</u>	<u>152,543</u>
Less: Net cost of reinsurance	<u>1,474,247</u>	<u>1,164,509</u>
	<u>182,273</u>	<u>149,258</u>
	<u>1,291,974</u>	<u>1,015,251</u>
DISTRIBUTION		
For policyholders' and beneficiaries -		
Death, disability, annuity and health insurance benefits	295,863	245,426
To policyholders' reserves	302,164	137,273
For operating expenses -		
New insurance and field service to policyholders	601,874	682,436
Administration costs in head office and branch offices	571,680	470,020
Premium tax	<u>20,954</u>	<u>13,914</u>
	<u>1,792,535</u>	<u>1,549,069</u>
NET LOSS FOR THE YEAR	<u>500,561</u>	<u>533,818</u>

**SUMMARY OF SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1966**

	1966	1965
	\$	\$
BALANCE – BEGINNING OF YEAR	524,356	1,031,046
Add: Surplus arising from the premium on the issue of 5,700 shares during 1965	<u>–</u>	<u>28,500</u>
	<u>524,356</u>	<u>1,059,546</u>
Less: Policyholders' deficit arising from the following:-		
Net loss for the year	500,561	533,818
Provision for loss on investments	<u>6,551</u>	<u>1,372</u>
	<u>507,112</u>	<u>535,190</u>
BALANCE – END OF YEAR	<u>17,244</u>	<u>524,356</u>

Approved on behalf of the board

Hermann James Director

J. Ron Fisibar Director

ACTUARIAL CERTIFICATE

I hereby certify that, to the best of my knowledge and belief the policy liabilities of \$498,185, the unearned premium reserve for accident and sickness policies of \$15,250, the provisions for immediate payment of claims and deferred mortality of \$6,500, and the provisions for outstanding and unreported claims of \$60,200, make sufficient provision for the unmatured liabilities under policies issued by the Income Life Insurance Company of Canada Limited at the 31st December, 1966.

The valuation was performed by the staff of the Company and I have made such checks and investigation as I have felt necessary to satisfy myself as to the accuracy of the work done.

M. B. Brown
Fellow of the Canadian Institute of Actuaries
Fellow of the Institute of Actuaries
Associate of the Society of Actuaries

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Income Life Insurance Company of Canada as at December 31, 1966, and the related summaries of operations and surplus for the year ended on that date, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We have accepted the certification by the actuary of the Company for the policy reserves and other actuarial liabilities.

Subject to the qualification set out in the preceding paragraph the accompanying balance sheet and related summaries of operations and surplus, when read in conjunction with the notes thereto, present fairly the financial position of the company as at December 31, 1966, and the results of its operations for the year ended on that date, in accordance with accounting practices appropriate to the insurance laws of the Province of Ontario, applied on a basis consistent with that of the preceding year.

McDonald Currie & Co.
Chartered Accountants

THREE YEARS OF PROGRESS.....

GROSS
\$1,327,362

\$519.935

POLICYHOLDERS
RESERVES

PREMIUM INCOME FROM SALE OF INSURA

BOARDS OF DIRECTORS AND TRUSTEES

J. Firth — Director
President, Firth Bros. Limited

J. R. Fischer — Director
President, J. Ross Fischer Hotels Limited

D. Goldberg, Q. C. — Director
Barrister & Solicitor

P. W. Hankinson — Director
Vice-President & General Manager, T. H. & B. Railway

I. Zucker — Director
President, Radio Station C. H. I. Q.

Wm. E. Brunning — Director and Trustee
President, Income Disability & Reinsurance Company of Canada

N. G. James, C. L. U. — Director and Trustee
President, Income Life Insurance Company of Canada

C. A. Read, C. A. — Director and Trustee
Treasurer, Income Disability and Reinsurance Company of Canada

D. G. Ross — Director and Trustee
President, Ross, Knowles and Company Ltd.

H. Soule, Q. C. — Trustee
President, Hamilton Trust and Savings Corporation



INCOME LIFE INSURANCE COMPANY OF CANADA

HOME OFFICE: 75 JAMES ST. S., HAMILTON, CANADA

525-2020